



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

March 16, 2004

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Atlantic, Iowa.

The City's receipts totaled \$10,033,737 for the year ended June 30, 2003, a 49 percent increase from 2002. The receipts included \$2,342,037 in property tax, \$178,049 in tax increment financing collections, \$2,119,797 from other governments, including indirect federal funding, and \$62,760 in interest on investments. The City also had other financing sources of \$295,050 from the sale of general obligation notes and \$56,000 from receipt of a loan from the Atlantic Municipal Utilities. The significant increase in receipts is due primarily to receipt of grants and donations for the construction of a recreation center.

Disbursements for the year totaled \$10,767,908, a 22 percent increase from the prior year, and included \$4,297,777 for capital projects, \$1,760,468 for non-program, \$1,199,427 for public safety and \$1,118,732 for debt service. The significant increase in disbursements is due primarily to several large capital projects, including airport renovations and construction of a recreation and wellness center.

A copy of the audit report is available for review in the Office of Auditor of State and in the City Clerk's Office.

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CITY OF ATLANTIC

**INDEPENDENT AUDITOR'S REPORTS
PRIMARY GOVERNMENT FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2003

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City of Atlantic

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Krogman	Mayor	Jan 2006
David Jones	Council Member	Jan 2004
Mark Knudsen	Council Member	Jan 2004
Kern Miller	Council Member	Jan 2004
John O'Brien	Council Member	Jan 2004
Shirley Warne	Council Member	Jan 2006
John Rueb	Council Member	Jan 2006
Mike Waters	Council Member	Jan 2006
Ron Crisp	Administrator	Indefinite
Debbie L. Wheatley Field	Clerk	Jan 2004
Sue Muri	Treasurer	Jan 2004
James C. VanGinkel	Attorney	Jan 2004

City of Atlantic



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements, listed as exhibits in the table of contents of this report, of the City of Atlantic, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Atlantic's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As discussed in note 16, the City of Atlantic intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the City's financial statements and related notes in the year of implementation. The revised requirements include an analytical overview of the City's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the aforementioned primary government financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the primary government of the City of Atlantic as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

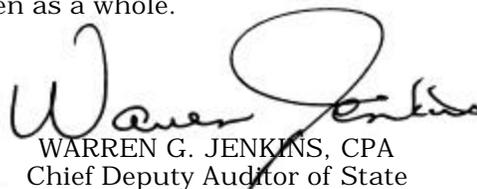
However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Atlantic, do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Atlantic as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated February 5, 2004 on our consideration of the City of Atlantic's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned primary government financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 5, 2004

Financial Statements

City of Atlantic
 Combined Statement of Cash Transactions
 All Funds ended June 30, 2003

	Governmental Fund	
	General	Special Revenue
Receipts:		
Property tax	\$ 1,120,991	576,595
Tax increment financing collections	-	178,049
Other city tax	119,982	250,718
Licenses and permits	19,802	-
Use of money and property	50,779	11,694
Intergovernmental	180,438	590,815
Charges for service	45,899	-
Special assessments	-	-
Miscellaneous	389,446	91,182
Total receipts	1,927,337	1,699,053
Disbursements:		
Public safety	901,689	297,738
Public works	340,426	596,945
Culture and recreation	349,580	81,373
Community and economic development	31,565	69,004
General government	365,027	73,188
Debt service	-	120,336
Capital projects	-	-
Business type activities	-	-
Non-program	-	-
Total disbursements	1,988,287	1,238,584
Excess (deficiency) of receipts over (under) disbursements	(60,950)	460,469
Other financing sources (uses):		
General obligation note proceeds (net of \$4,950 discount)	-	-
Loan from Atlantic Municipal Utilities	56,000	-
Operating transfers in	60,000	39,225
Operating transfers out	(10,000)	(266,733)
Total other financing sources (uses)	106,000	(227,508)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	45,050	232,961
Balance beginning of year, as restated (note 14)	921,312	1,522,626
Balance end of year	\$ 966,362	1,755,587

See notes to financial statements.

Types			Proprietary Fund Types		Total (Memorandum Only)
	Debt Service	Capital Projects	Enterprise	Internal Service	
644,451	-	-	-	-	2,342,037
-	-	-	-	-	178,049
18,779	271,244	-	-	-	660,723
-	-	-	-	-	19,802
6,440	11,822	6,613	705	-	88,053
-	1,348,544	-	-	-	2,119,797
-	-	637,610	-	-	683,509
11,521	1,388	-	-	-	12,909
57	1,655,221	5,827	1,787,125	-	3,928,858
681,248	3,288,219	650,050	1,787,830	-	10,033,737
-	-	-	-	-	1,199,427
-	-	-	-	-	937,371
-	-	-	-	-	430,953
-	-	-	-	-	100,569
-	-	-	-	-	438,215
998,396	-	-	-	-	1,118,732
-	4,297,777	-	-	-	4,297,777
-	-	484,396	-	-	484,396
-	-	-	1,760,468	-	1,760,468
998,396	4,297,777	484,396	1,760,468	-	10,767,908
(317,148)	(1,009,558)	165,654	27,362	-	(734,171)
-	295,050	-	-	-	295,050
-	-	-	-	-	56,000
322,474	168,559	69,075	-	-	659,333
-	(105,937)	(276,663)	-	-	(659,333)
322,474	357,672	(207,588)	-	-	351,050
5,326	(651,886)	(41,934)	27,362	-	(383,121)
59,516	1,365,946	624,087	27,532	-	4,521,019
64,842	714,060	582,153	54,894	-	4,137,898

City of Atlantic

Comparison of Receipts, Disbursements and Changes in Balances -
Actual to Budget

Year ended June 30, 2003

	Actual	Less Funds Not Required to be Budgeted
Receipts:		
Property tax	\$ 2,342,037	-
Tax increment financing collections	178,049	-
Other city tax	660,723	-
Licenses and permits	19,802	-
Use of money and property	88,053	705
Intergovernmental	2,119,797	-
Charges for service	683,509	-
Special assessments	12,909	-
Miscellaneous	3,928,858	1,787,125
Total receipts	<u>10,033,737</u>	<u>1,787,830</u>
Disbursements:		
Public safety	1,199,427	-
Public works	937,371	-
Culture and recreation	430,953	-
Community and economic development	100,569	-
General government	438,215	-
Debt service	1,118,732	-
Capital projects	4,297,777	-
Business type activities	484,396	-
Non-program	1,760,468	1,760,468
Total disbursements	<u>10,767,908</u>	<u>1,760,468</u>
Excess (deficiency) of receipts over (under) disbursements	(734,171)	27,362
Other financing sources, net	<u>351,050</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(383,121)	27,362
Balance beginning of year	<u>4,521,019</u>	<u>27,532</u>
Balance end of year	<u>\$ 4,137,898</u>	<u>54,894</u>

See notes to financial statements.

Net	Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
2,342,037	2,321,259	20,778	101%
178,049	158,518	19,531	112%
660,723	463,799	196,924	142%
19,802	8,650	11,152	229%
87,348	93,250	(5,902)	94%
2,119,797	2,004,092	115,705	106%
683,509	623,500	60,009	110%
12,909	15,000	(2,091)	86%
<u>2,141,733</u>	<u>1,745,006</u>	<u>396,727</u>	<u>123%</u>
<u>8,245,907</u>	<u>7,433,074</u>	<u>812,833</u>	<u>111%</u>
1,199,427	1,252,303	52,876	96%
937,371	1,031,078	93,707	91%
430,953	459,477	28,524	94%
100,569	138,400	37,831	73%
438,215	437,314	(901)	100%
1,118,732	1,268,963	150,231	88%
4,297,777	4,872,351	574,574	88%
484,396	550,589	66,193	88%
-	-	-	
<u>9,007,440</u>	<u>10,010,475</u>	<u>1,003,035</u>	<u>90%</u>
(761,533)	(2,577,401)		
<u>351,050</u>	<u>2,050,000</u>		
(410,483)	(527,401)		
<u>4,493,487</u>	<u>3,017,600</u>		
<u>4,083,004</u>	<u>2,490,199</u>		

City of Atlantic
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
General corporate purpose	Jun 1, 1995	4.65-4.80%	\$ 2,015,000
General obligation notes:			
Corporate purpose	Feb 1, 1994	3.10-4.70%	\$ 260,000
Economic development	Feb 1, 1994	4.75-7.00	225,000
Refunding	Sep 1, 1995	4.50-5.25	830,000
Corporate purpose	Jun 1, 1997	4.40-5.25	765,000
Economic development	Sep 1, 1997	6.75-7.35	200,000
Airport improvement	Aug 1, 1999	4.40-5.20	150,000
Swimming pool improvement	Mar 1, 2001	4.40-5.40	700,000
Corporate purpose	Apr 1, 2002	3.00-5.10	1,710,000
Corporate purpose	Apr 1, 2003	1.40-3.70	300,000
Total			
Tax increment financing (TIF) revenue bonds:			
Skyjack (TIF)	Dec 1, 1994	8.25-9.10%	\$ 145,000
Cargill (TIF)	Dec 1, 1994	8.25-9.05	100,000
Skyjack (TIF)	Dec 1, 1995	6.70-7.30	115,000
Skyjack (TIF)	Jun 1, 1997	7.65-8.15	90,000
Southeast urban renewal	Feb 1, 1998	4.40-5.15	175,000
Southwest urban renewal	Jul 1, 2001	4.30-5.20	200,000
Total			
Revenue bonds:			
Local option sales and services tax	Sep 1, 1997	4.70-5.65%	\$ 300,000
Revenue notes:			
Sewer	Dec 1, 1998	4.10-4.50%	\$ 850,000
Road Use Tax	Mar 1, 2000	5.15-5.50	250,000
Total			
Special assessment notes:			
Downtown redevelopment	Jul 1, 1995	4.60-5.85%	\$ 135,000
Loan agreements with Atlantic Municipal Utilities:			
Street lighting	Feb 16, 1994	-	\$ 200,000
Computer equipment	May 21, 2003	-	56,000
Total			
General obligation project anticipation note:			
Airport improvement project	Apr 1, 2002	3.65%	\$ 800,000

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Principal Due and Unpaid
1,055,000	-	190,000	865,000	50,640	-
60,000	-	30,000	30,000	2,775	-
140,000	-	15,000	125,000	9,552	-
340,000	-	110,000	230,000	17,628	-
425,000	-	75,000	350,000	21,710	-
135,000	-	-	135,000	9,765	20,000
125,000	-	15,000	110,000	6,177	-
685,000	-	20,000	665,000	34,695	-
1,710,000	-	125,000	1,585,000	85,858	-
-	300,000	-	300,000	-	-
\$ 3,620,000	300,000	390,000	3,530,000	188,160	20,000
100,000	-	10,000	90,000	9,017	-
55,000	-	10,000	45,000	4,923	-
90,000	-	5,000	85,000	6,321	-
80,000	-	5,000	75,000	6,040	5,000
130,000	-	5,000	125,000	6,405	10,000
200,000	-	15,000	185,000	9,605	-
\$ 655,000	-	50,000	605,000	42,311	15,000
240,000	-	15,000	225,000	13,025	-
770,000	-	35,000	735,000	34,075	-
160,000	-	50,000	110,000	8,698	-
\$ 930,000	-	85,000	845,000	42,773	-
45,000	-	15,000	30,000	2,580	-
40,000	-	20,000	20,000	-	-
-	56,000	56,000	-	-	-
\$ 40,000	56,000	76,000	20,000	-	-
800,000	-	-	800,000	26,118	-

City of Atlantic

City of Atlantic

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

The City of Atlantic is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, general governmental and business type activities.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City of Atlantic has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Atlantic (the primary government) and exclude all component units. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Unit

The Atlantic Municipal Utilities Board was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Municipal Utilities is governed by a five-member board appointed by the Mayor and approved by the City Council. Complete financial statements, presented on a different basis of accounting, can be obtained from the Municipal Utilities administrative office.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Cass County Assessor's Conference Board, Cass County Environmental Control Agency, Cass County Emergency Management Commission, Cass County E911 Joint Service Board, SWIPCO - Regional Planning Commission and Cass County Public Safety Commission.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue Funds - The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation and special assessment long-term debt.

Capital Projects Funds - The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

Proprietary Funds

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Internal Service Funds - The Internal Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

C. Basis of Accounting

The City of Atlantic maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on the basis of cash receipts and disbursements following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2003 are as follows:

Type	Carrying Amount	Fair Value
U.S. Treasury Notes	<u>\$ 5,000</u>	<u>5,753</u>

(3) Long-Term Debt

Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, tax increment financing (TIF) revenue bonds, local option sales and services tax revenue bonds, revenue notes and special assessment notes are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Tax Increment Financing (TIF) Revenue Bonds		Local Option Sales and Services Tax Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2004	\$ 200,000	41,520	465,000	167,255	70,000	38,266	15,000
2005	210,000	31,920	445,000	144,932	75,000	33,597	20,000	11,480
2006	220,000	21,840	350,000	124,343	80,000	28,645	20,000	10,430
2007	235,000	11,280	390,000	108,309	90,000	23,430	20,000	9,370
2008	-	-	305,000	89,748	75,000	17,258	20,000	8,300
2009	-	-	295,000	75,230	75,000	12,385	25,000	7,220
2010	-	-	305,000	61,420	60,000	7,465	25,000	5,857
2011	-	-	240,000	46,810	40,000	3,122	25,000	4,483
2012	-	-	260,000	35,560	25,000	1,300	25,000	3,095
2013	-	-	170,000	23,173	-	-	30,000	1,695
2014	-	-	140,000	14,997	-	-	-	-
2015	-	-	70,000	7,760	-	-	-	-
2016	-	-	75,000	4,050	-	-	-	-
Total	\$ 865,000	106,560	3,510,000	903,587	590,000	165,468	225,000	74,190

Year Ending June 30,	Revenue Notes		Special Assessment Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2004	\$ 90,000	38,610	15,000	1,740	855,000
2005	130,000	34,108	15,000	877	895,000	256,914
2006	200,000	27,820	-	-	870,000	213,078
2007	210,000	19,020	-	-	945,000	171,409
2008	215,000	9,675	-	-	615,000	124,981
2009	-	-	-	-	395,000	94,835
2010	-	-	-	-	390,000	74,742
2011	-	-	-	-	305,000	54,415
2012	-	-	-	-	310,000	39,955
2013	-	-	-	-	200,000	24,868
2014	-	-	-	-	140,000	14,997
2015	-	-	-	-	70,000	7,760
2016	-	-	-	-	75,000	4,050
Total	\$ 845,000	129,233	30,000	2,617	6,065,000	1,381,655

Tax Increment Financing (TIF) Revenue Bonds – These were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bonds are payable solely from the income and proceeds of the individual urban renewal tax increment financing funds and the taxes to be paid into the funds in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the tax increment financing (TIF) revenue bonds are to be expended only for purposes which are consistent with the plans of the City’s urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

Local Option Sales and Services Tax Revenue Bonds – These were issued for the purpose of defraying a portion of the cost of construction of street improvements. The bonds are payable solely from the proceeds of the local option sales and services tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa. The bonds are not a general obligation of the City. However the debt is subject to the constitutional debt limitation of the City.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales tax revenue received by the City and the bond holders hold a lien on the future revenues received.
- (b) A local option sales tax revenue bond sinking account shall be established to account for 15% of the local option sales tax revenue collected.
- (c) Sufficient quarterly deposits shall be made to the sinking account for the purpose of making the bond principal and interest payments when due.
- (d) Additional quarterly deposits of \$2,500 shall be made to a reserve account until \$30,000 has been accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking account.

Sewer Revenue Notes – The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) A sewer reserve account shall be established with \$85,000 in note proceeds. This account is restricted for the purpose of paying for principal and interest when funds in the sinking account are inadequate.
- (d) A sewer surplus account is required, into which all of the net revenues remaining after first making the required payments into the sinking and reserve accounts shall be deposited.

Road Use Tax Fund Revenue Notes – These were issued for the purpose of providing funds to acquire equipment for the street department. The notes are payable solely and only from annual road use tax funds received by the City from the State of Iowa. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

Street Lighting Loan Agreement – On February 16, 1994, the City entered into an interest-free loan agreement totaling \$200,000 with Atlantic Municipal Utilities for the purpose of paying costs in connection with construction and installation of street lighting fixtures. The loan will be repaid by the City in ten equal annual installments of \$20,000 on June 1 in each of the years 1995 through 2004. The balance of the loan totaled \$20,000 at June 30, 2003.

Computer Equipment Loan Agreement – On May 21, 2003, the City entered into an interest-free loan agreement totaling \$56,000 with Atlantic Municipal Utilities. The loan was repaid in full in June 2003.

(4) Anticipation Notes

On April 1, 2002, the City issued an \$800,000 general obligation airport improvement project anticipation note to pay the costs of an airport runway expansion project. The note bears interest at 3.65% per annum and matures on March 1, 2004. The note will be repaid through issuance of long-term general obligation debt.

On March 20, 2002, the City authorized the issuance of a \$1,000,000 local option sales and services tax bond anticipation note to pay the costs of construction of a recreation and wellness center. The note bears interest at 5.25% per annum, matures on March 1, 2004, and is to be repaid through the issuance of long-term local option sales and services tax revenue bond debt. The City Clerk is authorized to request advances on the anticipation note as needed to pay costs of the project. As of June 30, 2003, no advances had been drawn on the note.

(5) Pension and Retirement Benefits

IPERS – The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$90,780, \$94,110, and \$87,371, respectively, equal to the required contributions for each year.

Chapter 410 Police and Fire Pension – Chapter 410 of the Code of Iowa creates a retirement system for police officers and fire fighters of any City qualified to participate under this Chapter. Any duly appointed member of the police and fire departments whose appointment occurred before March 2, 1934 or police and fire fighters who had been making payments of membership fees and assessments prior to July 1, 1971 may be a member of the system. The pension plan is accounted for by the City in the Special Revenue Funds, Police and Fire Pension Accounts.

The plan is administered by the Police Pension Board of Trustees and the Fire Pension Board of Trustees and provides retirement, disability and death benefits. The benefits are established under state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to fifty percent of the monthly salary at retirement or disability and twenty-five percent of the monthly salary at death.

There are no active participants. Two retirees and certain beneficiaries are currently receiving benefits in the plan. The unfunded past service liability has not been determined.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2003, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 63,000
Compensatory time	<u>30,000</u>
Total	<u>\$ 93,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2003.

(7) Local Government Risk Pool

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 475 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2003 were \$60,284.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and airport liability. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Employee Health Insurance Plan

The City's Internal Service Fund, Medical Benefit Self Insurance Account was established to account for the partial self funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Marsh Advantage America. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the individual stop loss limitation of \$25,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Internal Service Fund, Medical Benefit Self Insurance Account are recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Marsh Advantage America from the City's Internal Service Fund, Medical Benefit Self Insurance Account. The City's contribution to the fund for the year ended June 30, 2003 was \$300,098.

(9) Deficit Balances

At June 30, 2003, accounts with deficit balances were as follows:

<u>Fund</u>	<u>Amount</u>
Debt Service:	
Special Assessment Notes	\$ (3,040)
Capital Projects:	
Depot Improvement	(77,211)
Nishna Hills Storm Water	(5,990)
East Walnut Street Housing	(26,366)
Sunnyside Pool Renovation	(3,145)
WWTP Pumps and Hemlock Street	(14,929)
Internal Service:	
Payroll Revolving	(87)

The deficit balances were a result of costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of future property taxes, state and federal grant proceeds, transfers, note proceeds and/or other financing sources as projects are completed.

(10) Budget Overexpenditures

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted at the functional level. During the year ended June 30, 2003, disbursements in the general government function exceeded the amount budgeted.

(11) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,875,851 during the year ended June 30, 2003.

(12) Community Economic Betterment Account (CEBA) Loan

On August 19, 1999, the City of Atlantic requested \$400,000 from the Iowa Department of Economic Development (Department) under a CEBA loan agreement. A loan agreement has been executed among the Department, the City of Atlantic and Silvercoin Publishing One, Inc. The City's liability for repayment of this note to the Department is limited to those amounts the City collects through its good faith enforcement of the security interest which secures its loan with Silvercoin Publishing One, Inc. Therefore, the liability for this loan is not included on the Statement of Indebtedness (Exhibit C). Repayments on the loan are made directly to the Department by Silvercoin Publishing One, Inc. The loan balance at June 30, 2003 was \$271,714.

(13) Commitments

The City has entered into various construction contracts for street, swimming pool and bathhouse improvements, depot renovation, airport improvements and construction of a recreation and wellness center totaling \$7,098,218. At June 30, 2003, \$2,276,685 remains unpaid and will be paid as work on the projects progresses. The projects will be funded through bond/note proceeds, grants, donations and local sources, as necessary.

(14) Restatement

The beginning balance of the General Fund was increased by \$85,439 to include the Library Gift Account which had been previously reported as an Expendable Trust Fund.

(15) Subsequent Events

In August 2003, the City entered into a contract totaling \$108,085 for the Fire Station improvement project and a contract totaling \$151,018 for a Storm Water Drainage improvement project. In August 2003, the City issued \$110,000 in general obligation equipment notes. In November 2003, the City purchased a new jet rodder for the wastewater treatment plant for \$123,500.

(16) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the City's financial statements in the year of implementation. The revised requirements include Management's Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the City's financial activities.

Supplemental Information

City of Atlantic
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Fire Equipment Reserve	Police Gift	Pool Gift	Park Gift
Receipts:					
Property tax	\$ 1,120,991	-	-	-	-
Other city tax:					
Local option sales tax	-	-	-	-	-
Utility tax replacement excise tax	33,573	-	-	-	-
Cable franchise fee	42,452	-	-	-	-
	76,025	-	-	-	-
Licenses and permits:					
Beer and liquor	8,838	-	-	-	-
Cigarette	1,444	-	-	-	-
Building	5,620	-	-	-	-
Miscellaneous	3,900	-	-	-	-
	19,802	-	-	-	-
Use of money and property:					
Interest on investments	24,015	36	-	-	-
Rent	23,963	-	-	-	-
	47,978	36	-	-	-
Intergovernmental:					
State allocation	115,149	-	-	-	-
Open access/Enrich Iowa grant	-	-	-	-	-
Bank franchise tax	27,923	-	-	-	-
Iowa's Living Roadway grant	-	-	-	-	-
County library contribution	9,000	-	-	-	-
Miscellaneous	3,598	-	-	-	-
	155,670	-	-	-	-
Charges for service:					
Park and recreation fees	150	-	-	-	-
Swimming pool fees and concessions	37,786	-	-	-	-
Other fees	7,963	-	-	-	-
	45,899	-	-	-	-

Schedule 1

Senior Citizen's Center	Drug Task Force	Fire Gift	Animal Control Gift	Community Promotion	Cable TV	Library Gift	Volunteer Fire Department	Total
-	-	-	-	-	-	-	-	1,120,991
-	-	-	-	37,974	-	-	-	37,974
-	-	-	-	-	-	-	-	33,573
-	-	-	-	-	5,983	-	-	48,435
-	-	-	-	37,974	5,983	-	-	119,982
-	-	-	-	-	-	-	-	8,838
-	-	-	-	-	-	-	-	1,444
-	-	-	-	-	-	-	-	5,620
-	-	-	-	-	-	-	-	3,900
-	-	-	-	-	-	-	-	19,802
-	-	-	-	133	-	870	432	25,486
1,330	-	-	-	-	-	-	-	25,293
1,330	-	-	-	133	-	870	432	50,779
-	-	-	-	-	-	-	-	115,149
-	-	-	-	-	-	5,863	-	5,863
-	-	-	-	-	-	-	-	27,923
-	-	-	-	13,905	-	-	-	13,905
-	-	-	-	-	-	-	-	9,000
-	-	-	-	-	5,000	-	-	8,598
-	-	-	-	13,905	5,000	5,863	-	180,438
-	-	-	-	-	-	-	-	150
-	-	-	-	-	-	-	-	37,786
-	-	-	-	-	-	-	-	7,963
-	-	-	-	-	-	-	-	45,899

City of Atlantic
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Fire Equipment Reserve	Police Gift	Pool Gift	Park Gift
Receipts (continued):					
Miscellaneous:					
Library copies and fines	6,225	-	-	-	-
Fines	27,292	-	-	-	-
Municipal utilities street lighting contribution	290,000	-	-	-	-
Refunds and reimbursements	10,821	-	-	-	-
Gifts and donations	-	-	3,778	-	-
	<u>334,338</u>	-	<u>3,778</u>	-	-
Total receipts	<u>1,800,703</u>	<u>36</u>	<u>3,778</u>	-	-
Disbursements:					
Public safety:					
Police:					
Personal services	478,337	-	-	-	-
Services and commodities	108,642	-	-	-	-
Capital outlay	50,611	-	3,815	-	-
	<u>637,590</u>	-	<u>3,815</u>	-	-
Fire:					
Personal services	116,439	-	-	-	-
Services and commodities	29,716	-	-	-	-
Capital outlay	8,784	-	-	-	-
	<u>154,939</u>	-	-	-	-
Ambulance:					
Services and commodities	51,000	-	-	-	-
Animal control:					
Services and commodities	16,865	-	-	-	-
Capital outlay	5,535	-	-	-	-
	<u>22,400</u>	-	-	-	-
Civil Defense:					
Services and commodities	6,073	-	-	-	-
	<u>872,002</u>	-	<u>3,815</u>	-	-

Schedule 1

Senior Citizen's Center	Drug Task Force	Fire Gift	Animal Control Gift	Community Promotion	Cable TV	Library Gift	Volunteer Fire Department	Total
-	-	-	-	-	-	-	-	6,225
-	-	-	-	-	-	-	-	27,292
-	-	-	-	-	-	-	-	290,000
-	-	-	-	-	-	50	138	11,009
-	28	6,400	350	-	-	32,483	11,881	54,920
-	28	6,400	350	-	-	32,533	12,019	389,446
1,330	28	6,400	350	52,012	10,983	39,266	12,451	1,927,337
-	-	-	-	-	-	-	-	478,337
-	-	-	-	-	-	-	-	108,642
-	-	-	-	-	-	-	-	54,426
-	-	-	-	-	-	-	-	641,405
-	-	-	-	-	-	-	-	116,439
-	-	-	-	-	-	-	9,280	38,996
-	-	8,209	-	-	-	-	8,383	25,376
-	-	8,209	-	-	-	-	17,663	180,811
-	-	-	-	-	-	-	-	51,000
-	-	-	-	-	-	-	-	16,865
-	-	-	-	-	-	-	-	5,535
-	-	-	-	-	-	-	-	22,400
-	-	-	-	-	-	-	-	6,073
-	-	8,209	-	-	-	-	17,663	901,689

City of Atlantic
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Fire Equipment Reserve	Police Gift	Pool Gift	Park Gift
Disbursements (continued):					
Public works:					
Street lighting:					
Services and commodities	290,000	-	-	-	-
Airport:					
Personal services	32,957	-	-	-	-
Services and commodities	14,964	-	-	-	-
Capital outlay	2,505	-	-	-	-
	50,426	-	-	-	-
	340,426	-	-	-	-
Culture and recreation:					
Library:					
Personal services	109,730	-	-	-	-
Services and commodities	28,004	-	-	-	-
Capital outlay	20,098	-	-	-	-
	157,832	-	-	-	-
Park and recreation:					
Personal services	76,336	-	-	-	-
Services and commodities	16,194	-	-	-	-
Capital outlay	1,011	-	-	-	-
	93,541	-	-	-	-
Senior citizen's center:					
Services and commodities	2,501	-	-	-	-
Capital outlay	-	-	-	-	-
	2,501	-	-	-	-
Swimming pool:					
Personal services	31,818	-	-	-	-
Services and commodities	24,642	-	-	-	-
Capital outlay	-	-	-	1,659	-
	56,460	-	-	1,659	-
	310,334	-	-	1,659	-

Schedule 1

Senior Citizen's Center	Drug Task Force	Fire Gift	Animal Control Gift	Community Promotion	Cable TV	Library Gift	Volunteer Fire Department	Total
-	-	-	-	-	-	-	-	290,000
-	-	-	-	-	-	-	-	32,957
-	-	-	-	-	-	-	-	14,964
-	-	-	-	-	-	-	-	2,505
-	-	-	-	-	-	-	-	50,426
-	-	-	-	-	-	-	-	340,426
-	-	-	-	-	-	-	-	109,730
-	-	-	-	-	-	-	-	28,004
-	-	-	-	-	-	36,832	-	56,930
-	-	-	-	-	-	36,832	-	194,664
-	-	-	-	-	-	-	-	76,336
-	-	-	-	-	-	-	-	16,194
-	-	-	-	-	-	-	-	1,011
-	-	-	-	-	-	-	-	93,541
-	-	-	-	-	-	-	-	2,501
755	-	-	-	-	-	-	-	755
755	-	-	-	-	-	-	-	3,256
-	-	-	-	-	-	-	-	31,818
-	-	-	-	-	-	-	-	24,642
-	-	-	-	-	-	-	-	1,659
-	-	-	-	-	-	-	-	58,119
-	-	-	-	-	-	36,832	-	349,580

City of Atlantic
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Fire Equipment Reserve	Police Gift	Pool Gift	Park Gift
Disbursements (continued):					
Community and economic development:					
Services and commodities	-	-	-	-	-
General government:					
Personal services	203,020	-	-	-	-
Services and commodities	134,111	-	-	-	-
Capital outlay	19,495	-	-	-	-
	<u>356,626</u>	-	-	-	-
Total disbursements	<u>1,879,388</u>	-	3,815	1,659	-
Excess (deficiency) of receipts over (under) disbursements	<u>(78,685)</u>	36	(37)	(1,659)	-
Other financing sources (uses):					
Loan proceeds	56,000	-	-	-	-
Operating transfers in (out):					
General:					
General	-	10,000	-	-	-
Fire Equipment Reserve	(10,000)	-	-	-	-
Special Revenue:					
Road Use Tax	25,000	-	-	-	-
Enterprise:					
Sewer Rental	25,000	-	-	-	-
Total other financing sources (uses)	<u>96,000</u>	10,000	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	17,315	10,036	(37)	(1,659)	-
Balance beginning of year, as restated (note 14)	<u>731,707</u>	<u>16,332</u>	<u>1,267</u>	<u>10,754</u>	<u>4,714</u>
Balance end of year	<u>\$ 749,022</u>	<u>26,368</u>	<u>1,230</u>	<u>9,095</u>	<u>4,714</u>

See accompanying independent auditor's report.

Schedule 1

Senior Citizen's Center	Drug Task Force	Fire Gift	Animal Control Gift	Community Promotion	Cable TV	Library Gift	Volunteer Fire Department	Total
-	-	-	-	31,565	-	-	-	31,565
-	-	-	-	-	-	-	-	203,020
-	-	-	-	-	254	-	-	134,365
-	-	-	-	-	8,147	-	-	27,642
-	-	-	-	-	8,401	-	-	365,027
-	-	8,209	-	31,565	8,401	36,832	17,663	1,988,287
1,330	28	(1,809)	350	20,447	2,582	2,434	(5,212)	(60,950)
-	-	-	-	-	-	-	-	56,000
-	-	-	-	-	-	-	-	10,000
-	-	-	-	-	-	-	-	(10,000)
-	-	-	-	-	-	-	-	25,000
-	-	-	-	-	-	-	-	25,000
-	-	-	-	-	-	-	-	106,000
1,330	28	(1,809)	350	20,447	2,582	2,434	(5,212)	45,050
3,499	4,349	3,615	1,426	27,765	-	85,439	30,445	921,312
4,829	4,377	1,806	1,776	48,212	2,582	87,873	25,233	966,362

City of Atlantic
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Emergency
Receipts:		
Property tax	\$ -	35,472
Tax increment financing collections	-	-
Other city tax:		
Utility tax replacement excise tax	-	1,068
Local option sales tax	-	-
	-	1,068
Use of money and property:		
Interest on investments	-	-
Intergovernmental:		
Road use tax allocation	590,815	-
Miscellaneous:		
Refunds and reimbursements	9,601	-
Total receipts	600,416	36,540
Disbursements:		
Public safety:		
Personal services	-	-
Contractual services	-	-
	-	-
Public works:		
Personal services	251,638	-
Services and commodities	159,137	-
Capital outlay	3,104	-
	413,879	-
Culture and recreation:		
Personal services	-	-
Capital outlay	-	-
	-	-
Community and economic development:		
Services and commodities	-	-

City of Atlantic
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Employees' Benefits	Cafeteria Plan	Fire Pension
Receipts:			
Property tax	508,249	-	16,437
Tax increment financing collections	-	-	-
Other city tax:			
Utility tax replacement excise tax	15,310	-	534
Local option sales tax	-	-	-
	15,310	-	534
Use of money and property:			
Interest on investments	-	-	7,117
Intergovernmental:			
Road use tax allocation	-	-	-
Miscellaneous:			
Refunds and reimbursements	54,189	9,758	-
Total receipts	577,748	9,758	24,088
Disbursements:			
Public safety:			
Personal services	252,696	-	17,662
Contractual services	-	-	309
	252,696	-	17,971
Public works:			
Personal services	130,195	-	-
Services and commodities	-	-	-
Capital outlay	-	-	-
	130,195	-	-
Culture and recreation:			
Personal services	55,732	-	-
Capital outlay	-	-	-
	55,732	-	-
Community and economic development:			
Services and commodities	-	-	-

Police Pension	Local Option Sales Tax Progress	Local Option Sales Tax Revenue	Local Option Sales Tax Revenue Bond Sinking	Local Option Sales Tax Reserve	Total
16,437	-	-	-	-	576,595
-	-	-	-	-	178,049
534	-	-	-	-	17,446
-	151,889	81,383	-	-	233,272
534	151,889	81,383	-	-	250,718
-	1,827	-	-	-	11,694
-	-	-	-	-	590,815
-	9,208	-	-	-	91,182
16,971	162,924	81,383	-	-	1,699,053
26,710	-	-	-	-	297,068
361	-	-	-	-	670
27,071	-	-	-	-	297,738
-	-	-	-	-	381,833
-	-	-	-	-	159,137
-	52,871	-	-	-	55,975
-	52,871	-	-	-	596,945
-	-	-	-	-	55,732
-	25,641	-	-	-	25,641
-	25,641	-	-	-	81,373
-	69,004	-	-	-	69,004

City of Atlantic
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Emergency
Disbursements (continued):		
General government:		
Personal services	-	-
Services and commodities	-	-
	<u>-</u>	<u>-</u>
Debt service:		
Principal redeemed	-	-
Interest paid	-	-
	<u>-</u>	<u>-</u>
Total disbursements	<u>413,879</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>186,537</u>	<u>36,540</u>
Other financing sources (uses):		
Operating transfers in (out):		
General:		
General	(25,000)	-
Special Revenue:		
Employees' Benefits	-	-
Cafeteria Plan	-	-
Local Option Sales Tax Revenue	-	-
Local Option Sales Tax Revenue	-	-
Bond Sinking	-	-
Fire Pension	-	-
Police Pension	-	-
Debt Service:		
General Obligation Bonds and Notes	(58,698)	-
Capital Projects:		
7th & Olive Street Intersection	(27,942)	-
Sunnyside Pool Renovation	-	(36,315)
Total other financing sources (uses)	<u>(111,640)</u>	<u>(36,315)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>74,897</u>	<u>225</u>
Balance beginning of year	<u>680,557</u>	<u>-</u>
Balance end of year	<u>\$ 755,454</u>	<u>225</u>

Southwest Urban Renewal	Southeast Urban Renewal	Southeast Urban Renewal Reserve	Southwest Tax Increment Financing	North Urban Renewal	Economic Development Revolving Loan
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	5,000	-	45,000	-	-
-	6,405	-	35,906	-	-
-	11,405	-	80,906	-	-
-	11,405	-	80,906	-	-
26,296	22,252	-	8,881	28,384	11,101
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(30,000)	(25,000)	-	-	(24,553)	-
-	-	-	-	-	-
-	-	-	-	-	-
(30,000)	(25,000)	-	-	(24,553)	-
(3,704)	(2,748)	-	8,881	3,831	11,101
13,636	19,781	16,000	693	4,409	200,167
9,932	17,033	16,000	9,574	8,240	211,268

City of Atlantic
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Employees' Benefits	Cafeteria Plan	Fire Pension
Disbursements (continued):			
General government:			
Personal services	62,294	-	-
Services and commodities	-	9,794	-
	<u>62,294</u>	<u>9,794</u>	<u>-</u>
Debt service:			
Principal redeemed	-	-	-
Interest paid	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>500,917</u>	<u>9,794</u>	<u>17,971</u>
Excess (deficiency) of receipts over (under) disbursements	<u>76,831</u>	<u>(36)</u>	<u>6,117</u>
Other financing sources (uses):			
Operating transfers in (out):			
General:			
General	-	-	-
Special Revenue:			
Employees' Benefits	-	(1,100)	-
Cafeteria Plan	1,100	-	-
Local Option Sales Tax Revenue	-	-	-
Local Option Sales Tax Revenue	-	-	-
Bond Sinking	-	-	-
Fire Pension	-	-	-
Police Pension	-	-	(10,100)
Debt Service:			
General Obligation Bonds and Notes	-	-	-
Capital Projects:			
Street Improvement	-	-	-
Sunnyside Pool Renovation	-	-	-
Total other financing sources (uses)	<u>1,100</u>	<u>(1,100)</u>	<u>(10,100)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>77,931</u>	<u>(1,136)</u>	<u>(3,983)</u>
Balance beginning of year	<u>(20,666)</u>	<u>2,624</u>	<u>139,459</u>
Balance end of year	<u>57,265</u>	<u>1,488</u>	<u>135,476</u>

See accompanying independent auditor's report.

Police Pension	Local Option Sales Tax Progress	Local Option Sales Tax Revenue	Local Option Sales Tax Revenue Bond Sinking	Local Option Sales Tax Reserve	Total
-	-	-	-	-	62,294
-	1,100	-	-	-	10,894
-	1,100	-	-	-	73,188
-	-	-	15,000	-	65,000
-	-	-	13,025	-	55,336
-	-	-	28,025	-	120,336
27,071	148,616	-	28,025	-	1,238,584
(10,100)	14,308	81,383	(28,025)	-	460,469
-	-	-	-	-	(25,000)
-	-	-	-	-	(1,100)
-	-	-	-	-	1,100
-	-	-	28,025	-	28,025
-	-	(28,025)	-	-	(28,025)
10,100	-	-	-	-	10,100
-	-	-	-	-	(10,100)
-	-	-	-	-	(138,251)
-	-	-	-	-	(27,942)
-	-	-	-	-	(36,315)
10,100	-	(28,025)	28,025	-	(227,508)
-	14,308	53,358	-	-	232,961
-	200,018	155,867	80,081	30,000	1,522,626
-	214,326	209,225	80,081	30,000	1,755,587

Schedule 3

City of Atlantic
Combining Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2003

	General Obligation Bonds and Notes	Special Assessment Notes	Total
Receipts:			
Property tax	\$ 644,451	-	644,451
Other city tax:			
Utility tax replacement excise tax	18,779	-	18,779
Use of money and property:			
Interest on investments	6,440	-	6,440
Special assessments	-	11,521	11,521
Miscellaneous:			
Accrued interest on bonds sold	47	-	47
Refund	10	-	10
	57	-	57
Total receipts	669,727	11,521	681,248
Disbursements:			
Debt service:			
Principal redeemed	630,000	15,000	645,000
Interest paid	273,616	2,580	276,196
Bond registration fee	1,200	-	1,200
Atlantic Municipal Utilities loan repayment	76,000	-	76,000
Total disbursements	980,816	17,580	998,396
Deficiency of receipts under disbursements	(311,089)	(6,059)	(317,148)

City of Atlantic
Combining Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2003

	General Obligation Bonds and Notes	Special Assessment Notes	Total
Other financing sources:			
Operating transfers in:			
Special Revenue:			
Road Use Tax	58,698	-	58,698
Southwest Urban Renewal	30,000	-	30,000
Southeast Urban Renewal	25,000	-	25,000
North Urban Renewal	24,553	-	24,553
Capital Projects:			
Recreation Center	654	-	654
Airport Hangar	251	-	251
WWTP Pumps and Hemlock Street	354	-	354
Storm Water Improvements	376	-	376
Enterprise:			
Sewer Rental	182,588	-	182,588
Total other financing sources	<u>322,474</u>	-	<u>322,474</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	11,385	(6,059)	5,326
Balance beginning of year	<u>56,497</u>	<u>3,019</u>	<u>59,516</u>
Balance end of year	<u>\$ 67,882</u>	<u>(3,040)</u>	<u>64,842</u>

See accompanying independent auditor's report.

City of Atlantic
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2003

	Downtown Revital- ization	Depot Improve- ment	Street Improve- ment	Nishna Hills Storm Water	East Walnut Street Housing	Recreation Center	Fire Station Apron Improvement
Receipts:							
Other city tax:							
Local option sales tax	\$ -	-	135,622	-	-	135,622	-
Use of money and property:							
Interest on investments	-	-	-	-	-	5,505	-
Intergovernmental:							
Federal airport improvement program grant	-	-	-	-	-	-	-
State transportation safety improvement program grant	-	-	-	-	-	-	-
State Department of Transportation grant	-	15,223	-	-	-	-	-
State airport infrastructure grant	-	-	-	-	-	-	-
Vision Iowa grant	-	-	-	-	-	700,000	-
State recreational grant	-	-	-	-	-	-	-
Community development block grant	-	-	-	-	145,683	-	-
	-	15,223	-	-	145,683	700,000	-
Special assessments	1,388	-	-	-	-	-	-
Miscellaneous:							
Donations	-	-	-	-	-	1,635,000	-
Refunds	-	-	-	-	-	-	-
	-	-	-	-	-	1,635,000	-
Total receipts	1,388	15,223	135,622	-	145,683	2,476,127	-
Disbursements:							
Capital projects:							
Services and commodities	2,877	2,500	115	5,990	13,000	35,474	1,850
Capital outlay	-	83,110	-	-	159,049	3,133,133	-
Total disbursements	2,877	85,610	115	5,990	172,049	3,168,607	1,850
Excess (deficiency) of receipts over (under) disbursements	(1,489)	(70,387)	135,507	(5,990)	(26,366)	(692,480)	(1,850)

Schedule 4

East Walnut Storm Water	Airport Hangar	10th and Walnut Street Overlay	7th and Olive Street Intersection	Sunnyside Pool Renovation	WWTP Pumps and Hemlock Street	Airport Runway 2/20 Project	Storm Water Improvements	Total
-	-	-	-	-	-	-	-	271,244
-	302	-	-	-	-	6,015	-	11,822
-	-	-	-	-	-	32,850	-	32,850
-	-	179,388	-	-	-	-	-	179,388
-	-	-	-	-	-	-	-	15,223
-	50,000	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	-	700,000
-	-	-	-	100,000	-	-	-	100,000
117,563	-	-	-	-	-	-	7,837	271,083
117,563	50,000	179,388	-	100,000	-	32,850	7,837	1,348,544
-	-	-	-	-	-	-	-	1,388
-	-	-	-	-	-	-	-	1,635,000
-	5,640	4,880	-	-	9,701	-	-	20,221
-	5,640	4,880	-	-	9,701	-	-	1,655,221
117,563	55,942	184,268	-	100,000	9,701	38,865	7,837	3,288,219
59,905	12,686	15,644	2,186	1,000	-	29,934	3,561	186,722
210,546	272,600	45,122	-	42,420	-	142,355	22,720	4,111,055
270,451	285,286	60,766	2,186	43,420	-	172,289	26,281	4,297,777
(152,888)	(229,344)	123,502	(2,186)	56,580	9,701	(133,424)	(18,444)	(1,009,558)

City of Atlantic
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2003

	Downtown Revital- ization	Depot Improve- ment	Street Improve- ment	Nishna Hills Storm Water	East Walnut Street Housing	Recreation Center	Fire Station Apron Improvement
Other financing sources (uses):							
General obligation note proceeds (net of \$4,950 discount)	-	-	-	-	-	-	79,010
Operating transfers in (out):							
Special Revenue:							
Road Use Tax	-	-	-	-	-	-	-
Emergency	-	-	-	-	-	-	-
Debt Service:							
General Obligation Bonds and Notes	-	-	-	-	-	(654)	-
Capital Projects:							
Street Improvement	-	-	-	-	-	-	-
10th and Walnut Street Overlay	-	-	(104,302)	-	-	-	-
Total other financing sources (uses)	-	-	(104,302)	-	-	(654)	79,010
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,489)	(70,387)	31,205	(5,990)	(26,366)	(693,134)	77,160
Balance beginning of year	10,551	(6,824)	(19,264)	-	-	747,502	-
Balance end of year	\$ 9,062	(77,211)	11,941	(5,990)	(26,366)	54,368	77,160

See accompanying independent auditor's report.

East Walnut Storm Water	Airport Hangar	10th and Walnut Street Overlay	7th and Olive Street Intersection	Sunnyside Pool Renovation	WWTP Pumps and Hemlock Street	Airport Runway 2/20 Project	Storm Water Improvements	Total
216,040	-	-	-	-	-	-	-	295,050
-	-	-	27,942	-	-	-	-	27,942
-	-	-	-	36,315	-	-	-	36,315
-	(251)	-	-	-	(354)	-	(376)	(1,635)
-	-	104,302	-	-	-	-	-	104,302
-	-	-	-	-	-	-	-	(104,302)
216,040	(251)	104,302	27,942	36,315	(354)	-	(376)	357,672
63,152	(229,595)	227,804	25,756	92,895	9,347	(133,424)	(18,820)	(651,886)
(3,590)	237,214	(227,804)	(25,756)	(96,040)	(24,276)	725,825	48,408	1,365,946
59,562	7,619	-	-	(3,145)	(14,929)	592,401	29,588	714,060

City of Atlantic
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Sewer Rental	Sewer Revenue Note Sinking
Receipts:		
Use of money and property:		
Interest on investments	\$ 4,836	-
Charges for service:		
Sewer rental fees	538,659	-
Sewer connections	3,750	-
Storm water fees	-	-
Miscellaneous charges	13,304	-
	<u>555,713</u>	<u>-</u>
Miscellaneous:		
Refunds	5,827	-
Total receipts	<u>566,376</u>	<u>-</u>
Disbursements:		
Business type activities:		
Personal services	128,418	-
Services and commodities	138,799	-
Capital outlay	24,906	-
Debt service:		
Principal redeemed	-	35,000
Interest paid	-	34,075
Total disbursements	<u>292,123</u>	<u>69,075</u>
Excess (deficiency) of receipts over (under) disbursements	<u>274,253</u>	<u>(69,075)</u>

Sewer Reserve	Sewer Surplus	Storm Water	Total
-	1,777	-	6,613
-	-	-	538,659
-	-	-	3,750
-	-	81,897	81,897
-	-	-	13,304
-	-	81,897	637,610
-	-	-	5,827
-	1,777	81,897	650,050
-	-	2,079	130,497
-	-	33,306	172,105
-	87,813	-	112,719
-	-	-	35,000
-	-	-	34,075
-	87,813	35,385	484,396
-	(86,036)	46,512	165,654

City of Atlantic
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Sewer Rental	Sewer Revenue Note Sinking
Other financing sources (uses):		
Operating transfers in (out):		
General:		
General	(25,000)	-
Debt Service:		
General Obligation Bonds and Notes	(182,588)	-
Enterprise:		
Sewer Rental	-	69,075
Sewer Revenue Note Sinking	(69,075)	-
Total other financing sources (uses)	<u>(276,663)</u>	<u>69,075</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,410)	-
Balance beginning of year	<u>329,536</u>	<u>2,444</u>
Balance end of year	<u>\$ 327,126</u>	<u>2,444</u>

See accompanying independent auditor's report.

Sewer Reserve	Sewer Surplus	Storm Water	Total
-	-	-	(25,000)
-	-	-	(182,588)
-	-	-	69,075
-	-	-	(69,075)
-	-	-	(207,588)
-	(86,036)	46,512	(41,934)
92,472	199,635	-	624,087
92,472	113,599	46,512	582,153

Schedule 6

City of Atlantic
Combining Schedule of Cash Transactions
Internal Service Funds
Year ended June 30, 2003

	Payroll Revolving	Medical Benefit Self Insurance	Total
Receipts:			
Use of money and property:			
Interest on investments	\$ -	705	705
Miscellaneous:			
Personal service costs from operating funds	1,487,027	300,098	1,787,125
Total receipts	<u>1,487,027</u>	<u>300,803</u>	<u>1,787,830</u>
Disbursements:			
Non-program:			
Personal services	1,487,114	-	1,487,114
Plan contributions and service fees	-	273,354	273,354
Total disbursements	<u>1,487,114</u>	<u>273,354</u>	<u>1,760,468</u>
Excess (deficiency) of receipts over (under) disbursements	(87)	27,449	27,362
Balance beginning of year	-	27,532	27,532
Balance end of year	<u>\$ (87)</u>	<u>54,981</u>	<u>54,894</u>

See accompanying independent auditor's report.

City of Atlantic

Schedule 7

City of Atlantic
Bond and Note Maturities
June 30, 2003

Year Ending June 30,	General Obligation Bonds		General Obligation Notes							
	General		Corporate Purpose		Economic Development		Refunding		Corporate Purpose	
	Issued Jun 1, 1995		Issued Feb 1, 1994		Issued Feb 1, 1994		Issued Sep 1, 1995		Issued Jun 1, 1997	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2004	4.80%	\$ 200,000	4.70%	\$ 30,000	6.70%	\$ 15,000	5.20%	\$ 115,000	5.05%	\$ 80,000
2005	4.80	210,000	-	-	6.75	15,000	5.25	115,000	5.10	85,000
2006	4.80	220,000	-	-	6.80	15,000	-	-	5.15	90,000
2007	4.80	235,000	-	-	6.85	20,000	-	-	5.25	95,000
2008	-	-	-	-	6.90	20,000	-	-	-	-
2009	-	-	-	-	6.95	20,000	-	-	-	-
2010	-	-	-	-	7.00	20,000	-	-	-	-
2011	-	-	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 865,000</u>		<u>\$ 30,000</u>		<u>\$ 125,000</u>		<u>\$ 230,000</u>		<u>\$ 350,000</u>	

Year Ending June 30,	Tax Increment Financing Revenue Bonds													
	Skyjack (TIF)		Cargill (TIF)		Skyjack (TIF)		Skyjack (TIF)		Southeast Urban Renewal					
	Issued Dec 1, 1994	Interest Rates	Amount	Issued Dec 1, 1994	Interest Rates	Amount	Issued Dec 1, 1995	Interest Rates	Amount	Issued Jun 1, 1997	Interest Rates	Amount	Issued Feb 1, 1998	Interest Rates
2004	8.90%	\$ 10,000	8.90%	\$ 10,000	7.10%	\$ 10,000	7.95%	\$ 10,000	4.80%	\$ 15,000				
2005	8.95	10,000	8.95	10,000	7.15	10,000	8.00	10,000	4.85	20,000				
2006	8.95	10,000	8.95	10,000	7.20	10,000	8.05	10,000	4.90	20,000				
2007	9.05	15,000	9.05	15,000	7.20	10,000	8.05	10,000	4.95	20,000				
2008	9.10	15,000	-	-	7.25	10,000	8.10	10,000	5.05	20,000				
2009	9.10	15,000	-	-	7.30	10,000	8.15	10,000	5.15	20,000				
2010	9.10	15,000	-	-	7.30	10,000	8.15	10,000	-	-				
2011	-	-	-	-	7.30	15,000	-	-	-	-				
2012	-	-	-	-	-	-	-	-	-	-				
2013	-	-	-	-	-	-	-	-	-	-				
Total	<u>\$ 90,000</u>		<u>\$ 45,000</u>		<u>\$ 85,000</u>		<u>\$ 70,000</u>		<u>\$ 115,000</u>					

See accompanying independent auditor's report.

General Obligation Notes										Special Assessment Notes		
Economic Development		Capital Loan Note Airport Improvement		Swimming Pool Improvement		Corporate Purpose		Corporate Purpose		Downtown Redevelopment		
Issued Sep 1, 1997		Issued Aug 1, 1999		Issued Mar 1, 2001		Issued Apr 1, 2002		Issued Apr 1, 2003		Issued Jul 1, 1995		
Interest Rates		Interest Rates		Interest Rates		Interest Rates		Interest Rates		Interest Rates		
Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Total	Amount	
7.15%	\$ 20,000	4.75%	\$ 15,000	4.60%	\$ 20,000	3.50%	\$ 145,000	1.40%	\$ 25,000	\$ 465,000	5.75%	\$ 15,000
7.20	20,000	4.85	15,000	4.70	25,000	3.75	145,000	1.70	25,000	445,000	5.85	15,000
7.25	25,000	4.90	15,000	4.80	25,000	4.00	150,000	2.10	30,000	350,000	-	-
7.30	25,000	4.95	15,000	4.85	45,000	4.20	160,000	2.45	30,000	390,000	-	-
7.35	25,000	5.00	15,000	4.90	50,000	4.40	165,000	2.80	30,000	305,000	-	-
-	-	5.10	15,000	4.95	50,000	4.60	180,000	3.00	30,000	295,000	-	-
-	-	5.20	20,000	5.00	55,000	4.70	180,000	3.20	30,000	305,000	-	-
-	-	-	-	5.05	60,000	4.80	150,000	3.40	30,000	240,000	-	-
-	-	-	-	5.10	60,000	4.90	165,000	3.55	35,000	260,000	-	-
-	-	-	-	5.20	65,000	5.00	70,000	3.70	35,000	170,000	-	-
-	-	-	-	5.25	65,000	5.10	75,000	-	-	140,000	-	-
-	-	-	-	5.30	70,000	-	-	-	-	70,000	-	-
-	-	-	-	5.40	75,000	-	-	-	-	75,000	-	-
<u>\$115,000</u>		<u>\$ 110,000</u>		<u>\$665,000</u>		<u>\$ 1,585,000</u>		<u>\$ 300,000</u>	<u>\$3,510,000</u>		<u>\$ 30,000</u>	

Country Oaks Addition			Local Option Sales and Services Tax		Sewer		Road Use Tax		
Issued Jul 1, 2001			Issued Sep 1, 1997		Issued Dec 1, 1998		Issued Mar 1, 2000		
Interest Rates			Interest Rates		Interest Rates		Interest Rates		
Amount	Amount	Total	Amount	Amount	Amount	Amount	Amount	Amount	Total
4.40%	\$ 15,000	70,000	5.20%	\$ 15,000	4.30%	\$ 35,000	5.45%	\$ 55,000	\$ 90,000
4.50	15,000	75,000	5.25	20,000	4.35	75,000	5.50	55,000	130,000
4.60	20,000	80,000	5.30	20,000	4.40	200,000	-	-	200,000
4.70	20,000	90,000	5.35	20,000	4.45	210,000	-	-	210,000
4.80	20,000	75,000	5.40	20,000	4.50	215,000	-	-	215,000
4.90	20,000	75,000	5.45	25,000	-	-	-	-	-
5.00	25,000	60,000	5.50	25,000	-	-	-	-	-
5.10	25,000	40,000	5.55	25,000	-	-	-	-	-
5.20	25,000	25,000	5.60	25,000	-	-	-	-	-
-	-	-	5.65	30,000	-	-	-	-	-
<u>\$ 185,000</u>	<u>\$ 590,000</u>		<u>\$ 225,000</u>		<u>\$ 735,000</u>		<u>\$ 110,000</u>	<u>\$ 845,000</u>	

Schedule 8

City of Atlantic

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,			
	2003	2002	2001	2000
Property tax	\$ 2,342,037	2,018,353	1,933,724	1,971,485
Tax increment financing collections	178,049	132,195	163,000	170,636
Other city tax:				
Local option sales tax	542,490	503,297	436,593	678,772
Utility tax replacement excise tax	69,798	54,166	60,631	-
Cable franchise fee	48,435	29,929	29,648	27,947
	<u>660,723</u>	<u>587,392</u>	<u>526,872</u>	<u>706,719</u>
Intergovernmental:				
Road use tax allocation	590,815	581,269	593,332	602,846
Library open access	5,863	1,342	7,036	4,623
State allocation	115,149	121,397	131,801	132,189
Grants	1,371,047	169,510	344,981	717,844
Bank franchise tax	27,923	23,819	19,107	19,543
County library contribution	9,000	9,000	9,000	9,000
	<u>2,119,797</u>	<u>906,337</u>	<u>1,105,257</u>	<u>1,486,045</u>
Total	<u>\$ 5,300,606</u>	<u>3,644,277</u>	<u>3,728,853</u>	<u>4,334,885</u>

See accompanying independent auditor's report.

City of Atlantic
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2003

Grantor/Program	CFDA Number	Grant Number	Program Expend- tures
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration Airports Division:			
Airport Improvement Program	20.106	DTFA09-01-A-40070	<u>\$ 155,061</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/ State's Program:			
Storm Sewer Improvement Program	14.228	00-CF-046	13,141
Storm Sewer Improvement Program	14.228	00-CF-003	138,220
Housing Rehabilitation Program	14.228	01-HSG-038	<u>156,593</u>
			307,954
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction:			
Surface Transportation Program	20.205	STP-U-0285(608)--70-15	<u>30,380</u>
Total indirect			<u>338,334</u>
Total			<u><u>\$ 493,395</u></u>

See accompanying independent auditor's report.

City of Atlantic



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the primary government financial statements of the City of Atlantic, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 5, 2004. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Atlantic's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-B-03, IV-E-03, IV-I-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Atlantic's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City of Atlantic's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. The prior year reportable condition has been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Atlantic and other parties to whom the City of Atlantic may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Atlantic during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 5, 2004

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

City of Atlantic



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Atlantic, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2003. The City of Atlantic's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Atlantic's management. Our responsibility is to express an opinion on the City of Atlantic's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Atlantic's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Atlantic's compliance with those requirements.

In our opinion, the City of Atlantic complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the City of Atlantic is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Atlantic's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Atlantic and other parties to whom the City of Atlantic may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 5, 2004

City of Atlantic
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 - Community Development Block Grants/State's Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Atlantic did not qualify as a low-risk auditee.

City of Atlantic
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-03 Separately Maintained Records - The Atlantic Volunteer Fire Department maintains separate accounting records pertaining to their operation. The financial transactions and resulting balances are not included in the City's accounting records.

Recommendation - Chapter 384.20 of the Code of Iowa states in part that "a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.

Response - We will include the Fire Department's records in the City's monthly reports.

Conclusion - Response accepted.

City of Atlantic
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over the major program were noted.

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-03 Official Depositories - A resolution naming official depositories has been approved by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.

IV-B-03 Certified Budget - Disbursements exceeded the amount budgeted in the general government function during the year ended June 30, 2003. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The new chart of accounts may have caused a difference in classification of functions. We are now using the new coding system so there will not be any questions next year. We will amend the budget if needed in the future.

Conclusion - Response accepted.

IV-C-03 Questionable Disbursements - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-03 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-03 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Hartkopf, Atlantic Municipal Utilities Board Member, owner of Allied Engineering	Recreation center project, per bid	\$2,561,360
Mike Henningsen, Airport Commissioner, Owner of Henningsen Construction	Airport and street projects, per bid Asphalt patch material, not bid	283,765 30,726

Recommendation - In accordance with Chapter 362.5 of the Code of Iowa, the transactions with the Utilities Board Member and Airport Commissioner that were competitively bid do not represent conflicts of interest. In accordance with Chapter 362.5(10), the transactions with the Airport Commissioner that were not bid appear to represent a conflict of interest since the cumulative amount for the individual was greater than \$1,500 during the fiscal year. The City should consult legal counsel to determine the disposition of this matter.

City of Atlantic

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Response - In the future, the City will obtain bids for materials or services provided by an official of the City.

Conclusion - Response acknowledged. The City should consult legal counsel to determine the disposition of this matter.

IV-F-03 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-03 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-03 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-I-03 Financial Condition - The following funds had deficit balances at June 30, 2003:

<u>Fund</u>	<u>Amount</u>
Debt Service:	
Special Assessment Notes	\$ (3,040)
Capital Projects:	
Depot Improvement	(77,211)
Nishna Hills Storm Water	(5,990)
East Walnut Street Housing	(26,366)
Sunnyside Pool Renovation	(3,145)
WWTP Pumps and Hemlock Street	(14,929)
Internal Service:	
Payroll Revolving	(87)

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - We will investigate each deficit balance to see why they occurred.

Conclusion - Response accepted.

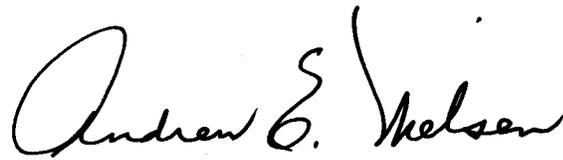
IV-J-03 Revenue Bonds and Notes - No instances of non-compliance with the provisions of the City's revenue bond and note resolutions were noted.

City of Atlantic

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor
Sheila M. Jensen, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State